

Clay County Moorhead, MN



Annual Financial Report



*For Year Ending
December 31, 2012*

**CLAY COUNTY
MOORHEAD, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Transmittal Letter		i
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	4	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	28
Proprietary Funds		
Statement of Net Position	7	30
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	34
Statement of Cash Flows	9	36
Fiduciary Funds		
Statement of Fiduciary Net Position	10	40
Notes to the Financial Statements		41

**CLAY COUNTY
MOORHEAD, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	89
Road and Bridge Special Revenue Fund	A-2	92
Social Services Special Revenue Fund	A-3	93
Schedule of Funding Progress - Other Postemployment Benefits	A-4	94
Notes to the Required Supplementary Information		95
Supplementary Information		
Nonmajor Governmental Funds		97
Combining Balance Sheet	B-1	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	99
Combining Balance Sheet - Special Revenue Funds	B-3	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds	B-4	101
Combining Balance Sheet - Debt Service Funds	B-5	102
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Debt Service Funds	B-6	104
Budgetary Comparison Schedule - County Building Special Revenue Fund	B-7	106
Budgetary Comparison Schedule - Courthouse Expansion Debt Service Fund	B-8	107
Budgetary Comparison Schedule - Joint Highway Facility Debt Service Fund	B-9	108
Budgetary Comparison Schedule - Law Enforcement Expansion Debt Service Fund	B-10	109
Fiduciary Funds		110
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	C-1	111
Other Schedules		
Schedule of Intergovernmental Revenue	D-1	113

INTRODUCTORY SECTION

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COUNTY AUDITOR

LORI J. JOHNSON

Office Telephone: (218) 299-5006

Fax: (218) 299-5195



Honorable Chairman and Commissioners
Clay County Board of Commissioners
807 North 11th Street
Moorhead, MN 56560

Gentlemen,

The Annual Financial Report of Clay County is submitted for the fiscal year ended December 31, 2012. This report was prepared by the County Auditor's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

The Annual Financial Report is presented in two sections: Introductory and Financial. The Introductory Section includes this transmittal letter and the County's organizational chart. The Financial Section includes the Management's Discussion and Analysis, the Basic Financial Statements, the Required Supplementary Information, and the Supplementary Information.

This report includes all of the funds and entities, which are considered to be under the direction and control of the County Board. The County provides a full range of services including public safety and law enforcement; courts and probation services; tax assessment and collection; vital statistics and public records; human services; highways, planning, inspection, and environmental health; and recreation and cultural services.

Copies of this report will be sent to elected officials, County management, bond rating agencies, and governmental agencies, which have expressed an interest in Clay County's financial affairs.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements, presented with the basic financial statements, are an integral part of this Annual Financial Report and should be read for a full understanding of the statements and information presented herein.

Page i

INDEPENDENT AUDIT

Minnesota State Law requires an audit to be made of the books of accounts, financial records, and transactions of the County by the State Auditor. This requirement has been complied with, and the Auditor's opinion is included in this report.

The State Auditor will issue a management and compliance letter covering the review, made as part of their examination of Clay County's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect, in any way, this report on the financial statements.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the professional and dedicated services of the entire staff of the Auditor's Office.

Sincerely,

A handwritten signature in black ink, appearing to read 'L. J. Johnson', followed by a long horizontal flourish.

Lori J. Johnson
Clay County Auditor-Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**ORGANIZATION
December 31, 2012**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Elected		
Commissioners		
1st District	Wayne Ingersoll**	January 2013
2nd District	Jerry Waller***	January 2013
3rd District	Jon Evert	January 2015
4th District	Kevin Campbell	January 2015
5th District	Grant Wayland*	January 2013
Attorney	Brian Melton	January 2015
Auditor-Treasurer	Lori J. Johnson	January 2015
County Recorder	J. Bonnie Rehder	January 2015
County Sheriff	Bill Bergquist	January 2015
Appointed		
Assessor	Nancy Gunderson	December 2016
County Administrator	Brian Berg	Indefinite
Highway Engineer	David Overbo	May 2014
Surveyor	Brian Rittenhouse	December 2014

*Chair

**Vice Chair

***Replaced by Frank Gross as Commissioner of the 2nd District as of January 2013.

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FINANCIAL SECTION

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Clay County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The introductory section and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2013, on our consideration of Clay County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County's internal control over financial reporting and compliance.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 9, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(Unaudited)**

The financial management of Clay County offers readers of Clay County's financial statements this narrative overview and analysis of the financial activities of Clay County for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Clay County exceeded its liabilities at the close of the most recent fiscal year (December 31, 2012) by \$116,367,982 (net position). Of this amount, \$21,743,537 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net position is \$99,595,863, of which Clay County has \$79,028,750 in net investment in capital assets; \$4,966,244 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net position of \$16,772,119. Net investment in capital assets represents \$10,626,974 of the total.
- The net cost of Clay County's governmental activities for the year ended December 31, 2012, was \$24,264,951. General property tax revenue and other general revenue sources totaled \$26,999,400.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Clay County's basic financial statements. Clay County's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report contains other supplementary information, in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Clay County's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of Clay County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Clay County is improving or deteriorating.

The Statement of Activities presents information showing how Clay County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Clay County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of Clay County include general government, public safety, highways and streets, human services, culture and recreation, conservation of natural resources, and economic development. The business-type activities of Clay County include the Family Service Center, Juvenile Detention, Public Health, and Solid Waste.

The government-wide financial statements may be found in Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Clay County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Clay County may be divided into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Within the governmental funds, Clay County maintains four fund types: general, special revenue, debt service, and capital projects. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and Ditch Debt Service Fund, all of which are considered to be major funds. Data from the other special revenue, debt service, and capital projects nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Clay County adopts an annual budget for three of its major governmental funds, the County Building nonmajor special revenue fund, Courthouse Expansion nonmajor debt service fund, Joint Highway Facility nonmajor debt service fund, and Law Enforcement Expansion nonmajor debt service fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements may be found in Exhibits 3 through 6 of this report.

General Fund. The General Fund is used to account for all financial resources not required to be accounted for in another fund.

Special revenue funds. Special revenue governmental funds account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue funds include:

- Road and Bridge,
- Social Services,
- County Building, and
- Gravel Removal Tax Reserve.

Debt service funds. The debt service funds account for the payment of principal, interest, and fiscal charges on long-term debt obligations of Clay County. The debt service funds include:

- Americana Estates,
- Courthouse Expansion,
- Ditch,
- Joint Highway Facility,
- Law Enforcement Expansion, and
- County Projects.

Capital Projects Fund. The Capital Projects Fund is used to account for financial resources to be used for improvement of capital facilities.

Proprietary funds. Clay County maintains two different types of proprietary funds: enterprise and internal service. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Clay County uses its Family Service Center Enterprise Fund to account for the financing of the Family Service Center, which provides rental space to other departments and agencies. The Juvenile Center Enterprise Fund is used to account for the financial transactions of the fund, which provides housing for juveniles and rental space to departments and agencies. The Public Health Fund provides nursing service care to the elderly and other residents of the County, and the Solid Waste Management Fund is used to account for providing refuse disposal services to the public. The internal service fund is an accounting device used to accumulate and allocate costs internally among Clay County's various functions. Clay County uses its Equipment Replacement Internal Service Fund to account for the financing of equipment provided by one department to other departments of the County on a cost-reimbursement basis. Each year, a transfer is made based upon the amount reflected in the equipment replacement schedule.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of Clay County's enterprise funds since they are all considered to be major funds of the County. Conversely, the Equipment Replacement Internal Service Fund is reported separately on the proprietary fund financial statements.

The basic proprietary fund financial statements may be found in Exhibits 7 through 9 of this report.

Fiduciary funds. Fiduciary funds (trust and agency funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Clay County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement may be found as Exhibit 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the exhibits.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information the budgetary comparison schedules for Clay County's General Fund and major special revenue funds. Required supplementary information is presented immediately following the notes to the financial statements. After that, the combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Clay County, assets exceeded liabilities by \$116,367,982 at the close of the most recent fiscal year, which is an increase of \$3,800,969.

Net investment in capital assets of \$89,655,724 (land, buildings, machinery and equipment, infrastructure, improvements other than buildings, and construction in progress, less any related debt used to acquire assets that is still outstanding) represents the largest portion of net position (77 percent). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Clay County's combined net position for the year ended December 31, 2012, was \$116,367,982. Clay County's analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of Clay County's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current and other assets	\$ 31,714,702	\$ 31,062,554	\$ 10,750,206	\$ 10,683,768	\$ 42,464,908	\$ 41,746,322
Capital assets	86,304,717	85,789,785	12,222,370	10,478,602	98,527,087	96,268,387
Total Assets	\$ 118,019,419	\$ 116,852,339	\$ 22,972,576	\$ 21,162,370	\$ 140,991,995	\$ 138,014,709
Liabilities						
Long-term liabilities outstanding	\$ 12,543,076	\$ 13,556,442	\$ 5,452,416	\$ 4,833,784	\$ 17,995,492	\$ 18,390,226
Other liabilities	5,880,480	6,434,483	748,041	622,987	6,628,521	7,057,470
Total Liabilities	\$ 18,423,556	\$ 19,990,925	\$ 6,200,457	\$ 5,456,771	\$ 24,624,013	\$ 25,447,696
Net Position						
Net investments in capital assets	\$ 79,028,750	\$ 77,898,797	\$ 10,626,974	\$ 8,182,860	\$ 89,655,724	\$ 86,081,657
Restricted	4,966,244	6,338,646	2,477	965,478	4,968,721	7,304,124
Unrestricted	15,600,869	12,623,971	6,142,668	6,557,261	21,743,537	19,181,232
Total Net Position	\$ 99,595,863	\$ 96,861,414	\$ 16,772,119	\$ 15,705,599	\$ 116,367,982	\$ 112,567,013

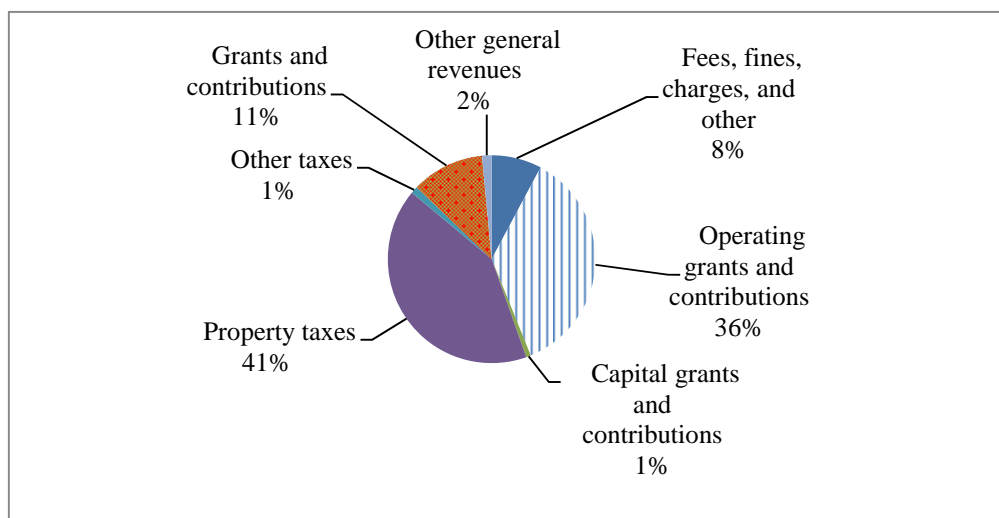
Clay County's total net position for the year ended December 31, 2012, total \$116,367,982. The governmental activities unrestricted net position totaling \$15,600,869 is available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net position totaling \$6,142,668 are available to finance the day-to-day operations of the business-type activities of the County.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3,942,226	\$ 3,990,032	\$ 7,747,761	\$ 7,453,364	\$ 11,689,987	\$ 11,443,396
Operating grants and contributions	18,185,862	21,511,445	1,722,774	2,003,196	19,908,636	23,514,641
Capital grants and contributions	369,503	741,698	1,203,051	17,063	1,572,554	758,761
General revenues						
Property taxes	20,911,731	20,594,220	-	-	20,911,731	20,594,220
Other taxes	565,142	556,058	-	-	565,142	556,058
Grants and contributions	5,725,276	6,656,487	-	-	5,725,276	6,656,487
Other general revenues	750,182	667,904	2,441	1,542	752,623	669,446
Total Revenues	\$ 50,449,922	\$ 54,717,844	\$ 10,676,027	\$ 9,475,165	\$ 61,125,949	\$ 64,193,009
Expenses						
Program expenses						
General government	\$ 12,032,512	\$ 12,510,080	\$ -	\$ -	\$ 12,032,512	\$ 12,510,080
Public safety	8,746,323	8,483,402	-	-	8,746,323	8,483,402
Highways and streets	8,252,941	8,455,073	-	-	8,252,941	8,455,073
Human services	16,133,972	15,827,053	-	-	16,133,972	15,827,053
Culture and recreation	404,320	404,320	-	-	404,320	404,320
Conservation of natural resources	561,539	717,127	-	-	561,539	717,127
Economic development	337,886	259,611	-	-	337,886	259,611
Interest	293,049	326,995	-	-	293,049	326,995
Family service	-	-	1,486,040	1,491,430	1,486,040	1,491,430
Public health	-	-	4,111,814	4,311,465	4,111,814	4,311,465
Solid waste	-	-	2,887,526	1,738,893	2,887,526	1,738,893
Juvenile center	-	-	2,077,058	2,056,293	2,077,058	2,056,293
Total Expenses	\$ 46,762,542	\$ 46,983,661	\$ 10,562,438	\$ 9,598,081	\$ 57,324,980	\$ 56,581,742
Excess (Deficiency) Before Transfers	\$ 3,687,380	\$ 7,734,183	\$ 113,589	\$ (122,916)	\$ 3,800,969	\$ 7,611,267
Transfers	(952,931)	(1,394,790)	952,931	1,394,790	-	-
Change in Net Position	\$ 2,734,449	\$ 6,339,393	\$ 1,066,520	\$ 1,271,874	\$ 3,800,969	\$ 7,611,267

Clay County's total revenues for the year ended December 31, 2012, were \$61,125,949. The total cost of Clay County programs and services for the year ended December 31, 2012, was \$57,324,980. The net position for Clay County's governmental activities increased by \$2,734,449 and increased in the business-type activities by \$1,066,520.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County's governmental activities for the year ended December 31, 2012, were \$50,449,922 (Table 2). Clay County's costs for all governmental activities for the year ended December 31, 2012, were \$46,762,542 (Table 2). As shown in Clay County's Statement of Activities, the amount that Clay County taxpayers ultimately financed for these governmental activities through local property taxation was \$20,911,731, because \$3,942,226 of the costs were paid by those who directly benefited from the programs, and \$18,555,365 was paid by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of Clay County's six largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Clay County's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Program Expenses				
General government	\$ 12,032,512	\$ 12,510,080	\$ 9,395,444	\$ 10,167,859
Public safety	8,746,323	8,483,402	4,725,458	2,379,843
Highways and streets	8,252,941	8,455,073	1,648,639	381,470
Human services	16,133,972	15,827,053	7,003,260	6,492,694
Culture and recreation	404,320	404,320	404,320	404,320
Conservation of natural resources	561,539	717,127	475,089	343,008
All others	630,935	586,606	612,741	571,292
Total Program Expenses	\$ 46,762,542	\$ 46,983,661	\$ 24,264,951	\$ 20,740,486

Business-Type Activities

Revenues of Clay County's business-type activities (Table 2) for the year ended December 31, 2012, were \$10,676,027. Expenditures of Clay County's business-type activities (Table 2) for the year ended December 31, 2012, were \$10,562,438.

Governmental funds. The focus of Clay County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Clay County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2012, Clay County's governmental funds reported combined ending fund balances of \$19,636,741, which is above last year's total of \$17,306,400. Included in this year's total fund balance is Clay County's General Fund balance of \$8,698,398.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

In Clay County's General Fund, the actual revenues exceeded the expected revenues by \$4,301,967. Total actual expenditures in Clay County's General Fund were more than the budget by \$2,964,314. These variances are mainly the result of expenditures and revenues relating to a 2011 \$7,500,000 Flood Hazard Mitigation grant used to purchase flood buyout properties.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Clay County's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounted to \$98,527,087 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. The total increase in the Clay County investment in capital assets for the current fiscal year was \$2,258,700, or two percent (see Table 4).

The major capital asset events during the current fiscal year included the completion of road construction projects, resulting in a transfer of \$2,502,063 from construction in progress to infrastructure. New landfill phase construction was completed at the end of 2012, increasing landfill by \$1,114,241.

More detailed information about Clay County's capital assets can be found in Note 3.A.3. to the Clay County financial statements.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 328,752	\$ 328,752	\$ 1,084,851	\$ 1,084,851	\$ 1,413,603	\$ 1,413,603
Construction in progress	1,714,879	2,632,971	345,496	53,696	2,060,375	2,686,667
Land improvements	280,685	227,037	460,932	23,674	741,617	250,711
Buildings	10,046,899	9,933,569	6,387,061	6,372,180	16,433,960	16,305,749
Machinery, furniture, and equipment	4,623,928	4,536,959	327,244	387,819	4,951,172	4,924,778
Infrastructure	69,309,574	68,130,497	1,220,322	1,274,159	70,529,896	69,404,656
Landfill	-	-	2,396,464	1,282,223	2,396,464	1,282,223
Totals	<u>\$ 86,304,717</u>	<u>\$ 85,789,785</u>	<u>\$ 12,222,370</u>	<u>\$ 10,478,602</u>	<u>\$ 98,527,087</u>	<u>\$ 96,268,387</u>

Long-Term Debt

At the end of 2012, Clay County had total bonded debt outstanding of \$11,125,000. This is a decrease of \$1,505,000 from the start of the year (see Table 5).

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	<u>\$ 9,524,215</u>	<u>\$ 10,499,215</u>	<u>\$ 1,600,785</u>	<u>\$ 2,130,785</u>	<u>\$ 11,125,000</u>	<u>\$ 12,630,000</u>

Clay County's general obligation bonds are rated an A2, and revenue bonds are rated an A3. These ratings have been assigned by a national rating agency to Clay County's debt. The state limits the amount of debt that the counties can issue to three percent of the market value of all taxable property in Clay County. Clay County's outstanding net debt is significantly below this \$124,913,643 state-imposed limit.

Other obligations include capital leases, compensated absences, and landfill closure and postclosure costs. Clay County's notes to the financial statements provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Clay County's average unemployment rate for 2012 and 2011 is 4.20 percent and 4.97 percent, respectively. The unemployment rate for the first five months of 2013 averaged 4.52 percent. This compares favorably to the state's average unemployment rate for 2012 of 5.65 percent and the national average rate of 8.07 percent. This information was taken from the Minnesota Department of Employment and Economic Development website for Clay County unemployment statistics.
- Clay County's tax levy is planned to increase 3.83 percent from 2012.
- With limited financial resources and the desire by the Clay County Board of Commissioners to minimize the increase in local property taxation, the prioritization and review of programs and services will be extremely important as future budgets are developed and efforts are made to control expenditures.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Clay County programs and services will influence the development of future budgets.

All of these factors were considered in preparing Clay County's governmental budget for the 2013 fiscal year.

On December 18, 2012, the Clay County Board of Commissioners approved the 2013 budget. The overall budget increase was 7.50 percent, for a total budget of \$62,336,905. It also included a 3.83 percent property tax levy increase of a total levy of \$24,294,546.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Clay County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Lori J. Johnson, Clay County Auditor/Treasurer, Clay County Auditor's Office, P. O. Box 280, Moorhead, Minnesota 56561-0280; or contact us at 218-299-5006 or via email at auditor@co.clay.mn.us.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 21,656,715	\$ 7,145,640	\$ 28,802,355
Investments	1,239,057	1,444,966	2,684,023
Taxes receivable			
Current - net	382,068	-	382,068
Prior - net	402,018	-	402,018
Special assessments receivable			
Current - net	1,589	29,470	31,059
Prior - net	759	37,405	38,164
Liens - net	1,124,753	-	1,124,753
Accounts receivable - net	345,743	277,709	623,452
Accrued interest receivable	80,025	5,065	85,090
Internal balances	2,035,107	(2,035,107)	-
Due from other governments	3,999,276	868,182	4,867,458
Inventories	166,661	-	166,661
Prepaid items	198,712	58,166	256,878
Excess OPEB contributions	-	2,467	2,467
Restricted assets			
Permanently restricted investments	-	2,881,392	2,881,392
Departmental cash	-	21,805	21,805
Accrued interest receivable	-	7,860	7,860
Deferred charges	82,219	5,186	87,405
Capital assets			
Non-depreciable	2,043,631	1,430,347	3,473,978
Depreciable - net of accumulated depreciation	84,261,086	10,792,023	95,053,109
Total Assets	\$ 118,019,419	\$ 22,972,576	\$ 140,991,995
<u>Liabilities</u>			
Accounts payable	\$ 907,048	\$ 158,882	\$ 1,065,930
Salaries payable	532,929	124,438	657,367
Contracts payable	184,597	-	184,597
Due to other governments	1,731,220	362,034	2,093,254
Accrued interest payable	111,758	12,768	124,526
Unearned revenue	12,928	89,919	102,847
Advances from other governments	2,400,000	-	2,400,000
Long-term liabilities			
Due within one year	1,819,960	911,795	2,731,755
Due in more than one year	10,723,116	4,540,621	15,263,737
Total Liabilities	\$ 18,423,556	\$ 6,200,457	\$ 24,624,013

The notes to the financial statements are an integral part of this statement.

Page 15

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Net Position</u>			
Net investment in capital assets	\$ 79,028,750	\$ 10,626,974	\$ 89,655,724
Restricted for			
General government	1,318,494	-	1,318,494
Public safety	80,898	-	80,898
Highways and streets	1,433,991	-	1,433,991
Debt service	2,055,677	2,477	2,058,154
Other purposes	77,184	-	77,184
Unrestricted	<u>15,600,869</u>	<u>6,142,668</u>	<u>21,743,537</u>
Total Net Position	<u>\$ 99,595,863</u>	<u>\$ 16,772,119</u>	<u>\$ 116,367,982</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 12,032,512	\$ 1,996,957
Public safety	8,746,323	345,265
Highways and streets	8,252,941	693,955
Human services	16,133,972	905,418
Culture and recreation	404,320	-
Conservation of natural resources	561,539	631
Economic development	337,886	-
Interest	293,049	-
Total governmental activities	<u>\$ 46,762,542</u>	<u>\$ 3,942,226</u>
Business-type activities		
Family Service	\$ 1,486,040	\$ 1,329,580
Public Health	4,111,814	2,132,613
Solid Waste	2,887,526	2,370,911
Juvenile Center	2,077,058	1,914,657
Total business-type activities	<u>\$ 10,562,438</u>	<u>\$ 7,747,761</u>
Total	<u>\$ 57,324,980</u>	<u>\$ 11,689,987</u>
General Revenues		
Property taxes		
Gravel taxes		
Mortgage registry and deed tax		
Grants and contributions not restricted to specific programs		
Payments in lieu of tax		
Investment income		
Miscellaneous		
Transfers		
Total general revenues and transfers		
Change in net position		
Net Position - Beginning		
Net Position - Ending		

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 632,092	\$ 8,019	\$ (9,395,444)	\$ -	\$ (9,395,444)
3,657,831	17,769	(4,725,458)	-	(4,725,458)
5,652,451	257,896	(1,648,639)	-	(1,648,639)
8,225,294	-	(7,003,260)	-	(7,003,260)
-	-	(404,320)	-	(404,320)
-	85,819	(475,089)	-	(475,089)
18,194	-	(319,692)	-	(319,692)
-	-	(293,049)	-	(293,049)
\$ 18,185,862	\$ 369,503	\$ (24,264,951)	\$ -	\$ (24,264,951)
\$ -	\$ 1,203,051	\$ -	\$ 1,046,591	\$ 1,046,591
1,474,913	-	-	(504,288)	(504,288)
191,209	-	-	(325,406)	(325,406)
56,652	-	-	(105,749)	(105,749)
\$ 1,722,774	\$ 1,203,051	\$ -	\$ 111,148	\$ 111,148
\$ 19,908,636	\$ 1,572,554	\$ (24,264,951)	\$ 111,148	\$ (24,153,803)
		\$ 20,911,731	\$ -	\$ 20,911,731
		454,213	-	454,213
		110,929	-	110,929
		5,725,276	-	5,725,276
		67,108	-	67,108
		147,610	2,441	150,051
		535,464	-	535,464
		(952,931)	952,931	-
		\$ 26,999,400	\$ 955,372	\$ 27,954,772
		\$ 2,734,449	\$ 1,066,520	\$ 3,800,969
		96,861,414	15,705,599	112,567,013
		\$ 99,595,863	\$ 16,772,119	\$ 116,367,982

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 6,828,968	\$ 1,050,557
Petty cash and change funds	6,125	-
Undistributed cash in agency funds	249,274	47,560
Investments	22,033	1,000,000
Taxes receivable		
Current	204,523	48,479
Prior	214,319	49,331
Special assessments		
Current	-	-
Prior	-	-
Liens	-	-
Accounts receivable	133,644	123,663
Accrued interest receivable	76,485	42
Due from other funds	272,130	-
Due from other governments	1,065,820	1,482,553
Prepaid items	119,531	20,102
Advance to other funds	1,865,000	-
Inventories	-	166,661
	<hr/>	<hr/>
Total Assets	<u>\$ 11,057,852</u>	<u>\$ 3,988,948</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 272,079	\$ 107,593
Salaries payable	327,194	56,685
Contracts payable	-	89,797
Due to other funds	119,879	68,132
Due to other governments	522,108	601,529
Deferred revenue - unavailable	1,117,594	1,216,772
Deferred revenue - unearned	600	-
Advance from other funds	-	-
Advance from other governments	-	2,400,000
	<hr/>	<hr/>
Total Liabilities	<u>\$ 2,359,454</u>	<u>\$ 4,540,508</u>

EXHIBIT 3

Social Services	Ditch Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 7,818,684	\$ 1,280,278	\$ 1,964,776	\$ 18,943,263
500	-	-	6,625
115,615	9,149	11,717	433,315
-	217,024	-	1,239,057
117,143	-	11,923	382,068
126,038	-	12,330	402,018
-	1,589	-	1,589
-	759	-	759
-	1,124,753	-	1,124,753
88,436	-	-	345,743
-	3,498	-	80,025
209,390	5,416	68,132	555,068
1,284,086	122,096	28,000	3,982,555
59,079	-	-	198,712
-	-	-	1,865,000
-	-	-	166,661
\$ 9,818,971	\$ 2,764,562	\$ 2,096,878	\$ 29,727,211
\$ 518,831	\$ -	\$ 7,270	\$ 905,773
149,050	-	-	532,929
-	-	94,800	184,597
274,279	-	9,050	471,340
545,338	-	-	1,668,975
288,187	1,251,728	19,647	3,893,928
12,328	-	-	12,928
-	-	20,000	20,000
-	-	-	2,400,000
\$ 1,788,013	\$ 1,251,728	\$ 150,767	\$ 10,090,470

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 166,661
Prepaid items	119,531	20,102
Advances to other funds	1,865,000	-
Restricted for		
Debt service	-	-
Law library	151,854	-
Capital projects	-	-
Gravel pit restoration	-	-
County state-aid highway system	-	47,244
Real estate tax shortfall	22,033	-
Pistol permits	25,530	-
Missing heirs	77,184	-
K-9	2,745	-
DARE	13,695	-
Posse	6,365	-
Veteran's affairs	850	-
Sheriff's forfeited property	32,563	-
Attorney's forfeited property	169,920	-
Help America Vote Act	9,296	-
General government	4,960	-
Recorder's technology equipment	102,911	-
Recorder's compliance	43,222	-
Assigned for		
Human services	-	-
County building projects	-	-
Unassigned	6,050,739	(785,567)
Total Fund Balances	\$ 8,698,398	\$ (551,560)
Total Liabilities and Fund Balances	\$ 11,057,852	\$ 3,988,948

EXHIBIT 3
(Continued)

Social Services	Ditch Debt Service	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 166,661
59,079	-	-	198,712
-	-	-	1,865,000
-	1,512,834	542,843	2,055,677
-	-	-	151,854
-	-	813,448	813,448
-	-	527,420	527,420
-	-	-	47,244
-	-	-	22,033
-	-	-	25,530
-	-	-	77,184
-	-	-	2,745
-	-	-	13,695
-	-	-	6,365
-	-	-	850
-	-	-	32,563
-	-	-	169,920
-	-	-	9,296
-	-	-	4,960
-	-	-	102,911
-	-	-	43,222
7,971,879	-	-	7,971,879
-	-	62,400	62,400
-	-	-	5,265,172
\$ 8,030,958	\$ 1,512,834	\$ 1,946,111	\$ 19,636,741
\$ 9,818,971	\$ 2,764,562	\$ 2,096,878	\$ 29,727,211

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Fund balances - total governmental funds (Exhibit 3)	\$	19,636,741
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		86,304,717
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,893,928
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Internal service funds are used by management to charge the cost of management of fleet maintenance and self-insurance to individual funds. The assets and liabilities that are included in governmental activities in the statement of net assets are:

Total internal services net position	\$ 5,779,611	
Long-term liabilities of the Internal Service Fund	282,575	
Net position representing capital assets included above	<u>(3,732,981)</u>	2,329,205

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds	\$ (9,538,733)	
Facility lease revenue bonds	-	
Capital leases payable	(295,070)	
Compensated absences	(2,334,824)	
Accrued interest payable	(107,871)	
Deferred debt interest charges	82,219	
Other postemployment benefits (OPEB) liability	<u>(374,449)</u>	<u>(12,568,728)</u>

Net Position of Governmental Activities (Exhibit 1)	\$	<u>99,595,863</u>
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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 11,457,937	\$ 3,015,456
Special assessments	-	-
Licenses and permits	82,306	73,631
Intergovernmental	7,926,599	6,661,589
Charges for services	1,786,379	501,267
Fines and forfeits	191,996	-
Investment earnings	136,540	530
Miscellaneous	817,636	51,403
	<hr/>	<hr/>
Total Revenues	\$ 22,399,393	\$ 10,303,876
	<hr/>	<hr/>
Expenditures		
Current		
General government	\$ 10,747,090	\$ -
Public safety	8,479,309	-
Highways and streets	-	8,109,339
Human services	-	-
Culture and recreation	404,320	-
Conservation of natural resources	559,476	-
Economic development	178,574	-
Intergovernmental		
Highways and streets	-	450,266
Capital outlay		
General government	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal charges)	-	-
	<hr/>	<hr/>
Total Expenditures	\$ 20,368,769	\$ 8,559,605
	<hr/>	<hr/>
Excess of Revenues Over (Under)		
Expenditures	\$ 2,030,624	\$ 1,744,271
	<hr/>	<hr/>

EXHIBIT 5

Social Services	Ditch Debt Service	Other Governmental Funds	Total
\$ 6,358,731	\$ -	\$ 714,926	\$ 21,547,050
-	532,672	-	532,672
-	-	-	155,937
9,977,262	-	89,764	24,655,214
-	-	-	2,287,646
8,781	-	-	200,777
-	8,406	-	145,476
896,637	-	-	1,765,676
\$ 17,241,411	\$ 541,078	\$ 804,690	\$ 51,290,448
\$ -	\$ -	\$ 19,700	\$ 10,766,790
-	-	-	8,479,309
-	-	-	8,109,339
16,185,474	-	-	16,185,474
-	-	-	404,320
-	420	-	559,896
-	-	-	178,574
-	-	-	450,266
-	-	1,470,332	1,470,332
5,251	645,000	473,136	1,123,387
907	90,433	192,707	284,047
-	-	751	751
\$ 16,191,632	\$ 735,853	\$ 2,156,626	\$ 48,012,485
\$ 1,049,779	\$ (194,775)	\$ (1,351,936)	\$ 3,277,963

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ 100,000	\$ -
Transfers out	<u>(1,074,931)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ (974,931)</u>	<u>\$ -</u>
Change in Fund Balance	\$ 1,055,693	\$ 1,744,271
Fund Balance - January 1	7,642,705	(2,301,140)
Increase (decrease) in inventories	<u>-</u>	<u>5,309</u>
Fund Balance - December 31	<u>\$ 8,698,398</u>	<u>\$ (551,560)</u>

EXHIBIT 5
(Continued)

Social Services	Ditch Debt Service	Other Governmental Funds	Total
\$ -	\$ -	\$ 22,000	\$ 122,000
-	-	-	(1,074,931)
\$ -	\$ -	\$ 22,000	\$ (952,931)
\$ 1,049,779	\$ (194,775)	\$ (1,329,936)	\$ 2,325,032
6,981,179	1,707,609	3,276,047	17,306,400
-	-	-	5,309
\$ 8,030,958	\$ 1,512,834	\$ 1,946,111	\$ 19,636,741

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	2,325,032
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Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 3,893,928	
Deferred revenue - January 1	<u>(4,814,596)</u>	(920,668)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 4,254,732	
Current year depreciation	<u>(3,973,515)</u>	281,217

Capital contributions of the internal service fund which are recognized in the governmental activities.	25,788
---	--------

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Principal repayments		
General obligation bonds	\$ 975,000	
Revenue bonds	143,136	
Capital lease	<u>5,251</u>	1,123,387

Bonds refunded

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT 6
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 10,477	
Amortization of premiums, discounts, and deferred issuance charges	(11,132)	
Change in compensated absences	(165,541)	
Change in net OPEB liability	(86,140)	
Change in inventories	<u>5,309</u>	(247,027)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.

Governmental activities share of net income before transfers	<u>146,720</u>
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Change in Net Position of Governmental Activities (Exhibit 2)	<u><u>\$ 2,734,449</u></u>
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PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Business-Type	
	Family Service Center	Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 26,937	\$ 389,399
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Investments	-	165,017
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable - net	11,091	-
Accrued interest receivable	-	5,011
Due from other funds	3,100	54,188
Due from other governments	8,038	198,856
Prepaid items	6,571	11,106
Excess OPEB contributions	-	-
Total current assets	\$ 56,037	\$ 823,577
Restricted assets		
Investments	\$ -	\$ -
Departmental cash	-	-
Accrued interest receivable	-	-
Total restricted assets	\$ -	\$ -
Noncurrent assets		
Deferred debt issuance costs	\$ 303	\$ 4,883
Capital assets		
Nondepreciable	585,996	-
Depreciable - net	4,773,059	1,985,537
Total noncurrent assets	\$ 5,359,358	\$ 1,990,420
Total Assets	\$ 5,415,395	\$ 2,813,997

EXHIBIT 7

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 1,833,239	\$ 4,849,589	\$ 7,099,164	\$ 2,273,512
-	46,006	46,006	-
170	-	470	-
-	1,279,949	1,444,966	-
-	29,470	29,470	-
-	37,405	37,405	-
234,343	32,275	277,709	-
-	54	5,065	-
29,761	-	87,049	63,421
534,407	126,862	868,163	141
37,265	3,224	58,166	-
-	2,467	2,467	-
\$ 2,669,185	\$ 6,407,301	\$ 9,956,100	\$ 2,337,074
\$ -	\$ 2,881,392	\$ 2,881,392	\$ -
-	21,805	21,805	-
-	7,860	7,860	-
\$ -	\$ 2,911,057	\$ 2,911,057	\$ -
\$ -	\$ -	\$ 5,186	\$ -
-	844,351	1,430,347	-
5,607	4,027,820	10,792,023	3,732,981
\$ 5,607	\$ 4,872,171	\$ 12,227,556	\$ 3,732,981
\$ 2,674,792	\$ 14,190,529	\$ 25,094,713	\$ 6,070,055

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Family Service Center	Business-Type Juvenile Center
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 33,344	\$ 12,223
Salaries payable	10,368	39,525
Due to other funds	-	25,811
Due to other governments	15,262	3,549
Accrued interest payable	8,313	4,455
Deferred revenue	23,725	-
General obligation bonds payable - current	570,000	171,337
Capital leases payable - current	2,853	-
Compensated absences payable - current	17,217	38,127
Total current liabilities	\$ 681,082	\$ 295,027
Noncurrent liabilities		
Advance from other funds	\$ 1,495,000	\$ 350,000
General obligation bonds payable - long-term	-	859,448
Unamortized premiums on G.O. bonds	330	-
Deferred amount on refunding	(642)	(4,918)
Unamortized discounts on G.O. bonds	-	(3,460)
Capital leases payable - long-term	751	-
Estimated liability for landfill closure/postclosure	-	-
OPEB liability	7,100	20,417
Compensated absences payable - long-term	63,703	130,235
Total noncurrent liabilities	\$ 1,566,242	\$ 1,351,722
Total Liabilities	\$ 2,247,324	\$ 1,646,749
<u>Net Position</u>		
Net Position		
Net investment in capital assets	\$ 4,786,066	\$ 963,130
Restricted for		
Debt service	1,365	1,112
Unrestricted	(1,619,360)	203,006
Total Net Position	\$ 3,168,071	\$ 1,167,248

EXHIBIT 7
(Continued)

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 71,272	\$ 42,043	\$ 158,882	\$ 1,275
65,796	8,749	124,438	-
251,326	-	277,137	-
75,280	267,943	362,034	2,707
-	-	12,768	3,887
66,194	-	89,919	-
-	-	741,337	-
-	-	2,853	144,193
98,071	14,190	167,605	-
\$ 627,939	\$ 332,925	\$ 1,936,973	\$ 152,062
\$ -	\$ -	\$ 1,845,000	\$ -
-	-	859,448	-
-	-	330	-
-	-	(5,560)	-
-	-	(3,460)	-
-	-	751	138,382
-	3,103,400	3,103,400	-
72,583	-	100,100	-
245,356	46,318	485,612	-
\$ 317,939	\$ 3,149,718	\$ 6,385,621	\$ 138,382
\$ 945,878	\$ 3,482,643	\$ 8,322,594	\$ 290,444
\$ 5,607	\$ 4,872,171	\$ 10,626,974	\$ 3,450,406
-	-	2,477	-
1,723,307	5,835,715	6,142,668	2,329,205
\$ 1,728,914	\$ 10,707,886	\$ 16,772,119	\$ 5,779,611

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Family Service Center	Business-Type Juvenile Center
Operating Revenues		
Charges for services	\$ 186,452	\$ 1,829,884
Licenses and permits	-	-
Rents	1,066,705	57,088
Miscellaneous	76,423	27,685
Total Operating Revenues	\$ 1,329,580	\$ 1,914,657
Operating Expenses		
Personal services	\$ 479,106	\$ 1,538,096
Other services and charges	597,148	301,931
Supplies	60,189	76,311
Depreciation	323,926	144,122
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,460,369	\$ 2,060,460
Operating Income (Loss)	\$ (130,789)	\$ (145,803)
Nonoperating Revenues (Expenses)		
Special assessments	\$ -	\$ -
Intergovernmental	-	56,652
Interest income	-	1,768
Gain on sale/disposal of capital assets	-	-
Interest expense	(25,671)	(16,598)
Total Nonoperating Revenues (Expenses)	\$ (25,671)	\$ 41,822
Income (Loss) Before Contributions and Transfers	\$ (156,460)	\$ (103,981)
Capital contributions	1,201,510	1,541
Transfers in	349,667	234,960
Transfers out	-	-
Change in net position	\$ 1,394,717	\$ 132,520
Net Position - January 1	1,773,354	1,034,728
Net Position - December 31	\$ 3,168,071	\$ 1,167,248

EXHIBIT 8

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 2,115,142	\$ 1,188,246	\$ 5,319,724	\$ 1,127,377
-	705	705	-
-	-	1,123,793	-
17,471	7,593	129,172	48,952
\$ 2,132,613	\$ 1,196,544	\$ 6,573,394	\$ 1,176,329
\$ 3,211,862	\$ 452,188	\$ 5,681,252	\$ -
820,803	1,004,311	2,724,193	301
78,854	69,694	285,048	177,632
295	114,250	582,593	959,321
-	1,247,083	1,247,083	-
\$ 4,111,814	\$ 2,887,526	\$ 10,520,169	\$ 1,137,254
\$ (1,979,201)	\$ (1,690,982)	\$ (3,946,775)	\$ 39,075
\$ -	\$ 1,174,367	\$ 1,174,367	\$ -
1,474,913	158,238	1,689,803	-
-	33,644	35,412	-
-	-	-	124,622
-	-	(42,269)	(16,977)
\$ 1,474,913	\$ 1,366,249	\$ 2,857,313	\$ 107,645
\$ (504,288)	\$ (324,733)	\$ (1,089,462)	\$ 146,720
-	-	1,203,051	25,788
468,304	-	1,052,931	-
-	(100,000)	(100,000)	-
\$ (35,984)	\$ (424,733)	\$ 1,066,520	\$ 172,508
1,764,898	11,132,619	15,705,599	5,607,103
\$ 1,728,914	\$ 10,707,886	\$ 16,772,119	\$ 5,779,611

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type	
	Family Service Center	Juvenile Center
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,342,525	\$ 1,903,086
Payments to suppliers	(647,048)	(353,113)
Payments to employees	(470,798)	(1,508,117)
Net cash provided by (used in) operating activities	\$ 224,679	\$ 41,856
Cash Flows from Noncapital Financing Activities		
Special assessments	\$ -	\$ -
Intergovernmental	-	53,965
Transfers in	349,667	304,513
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	\$ 349,667	\$ 358,478
Cash Flows from Capital and Related Financing Activities		
Principal paid on installment purchase	\$ (2,630)	\$ -
Principal paid on long-term debt	(530,000)	-
Interest paid on long-term debt	(29,658)	(30,839)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	-	(198,454)
Net cash provided by (used in) capital and related financing activities	\$ (562,288)	\$ (229,293)
Cash Flows from Investing Activities		
Purchase of investments	\$ -	\$ -
Investment earnings received	-	717
Net cash provided by (used in) investing activities	\$ -	\$ 717
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 12,058	\$ 171,758
Cash and Cash Equivalents at January 1	15,179	217,641
Cash and Cash Equivalents at December 31	\$ 27,237	\$ 389,399

EXHIBIT 9

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 2,167,836	\$ 1,225,060	\$ 6,638,507	\$ 1,119,972
(885,647)	(999,311)	(2,885,119)	(190,328)
(3,158,721)	(449,080)	(5,586,716)	-
\$ (1,876,532)	\$ (223,331)	\$ (1,833,328)	\$ 929,644
\$ -	\$ 1,174,545	\$ 1,174,545	\$ -
1,379,060	168,679	1,601,704	-
468,304	-	1,122,484	-
-	(100,000)	(100,000)	-
\$ 1,847,364	\$ 1,243,224	\$ 3,798,733	\$ -
\$ -	\$ -	\$ (2,630)	\$ (137,778)
-	-	(530,000)	-
-	-	(60,497)	(18,799)
-	-	-	127,422
(5,902)	(1,114,241)	(1,318,597)	(1,170,048)
\$ (5,902)	\$ (1,114,241)	\$ (1,911,724)	\$ (1,199,203)
\$ -	\$ (75,200)	\$ (75,200)	\$ -
-	16,630	17,347	-
\$ -	\$ (58,570)	\$ (57,853)	\$ -
\$ (35,070)	\$ (152,918)	\$ (4,172)	\$ (269,559)
1,868,479	5,048,513	7,149,812	2,543,071
\$ 1,833,409	\$ 4,895,595	\$ 7,145,640	\$ 2,273,512

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
Increase (Decrease) in Cash and Cash Equivalents**

	Family Service Center	Business-Type Juvenile Center
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 26,937	\$ 389,399
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Total Cash and Cash Equivalents	<u>\$ 27,237</u>	<u>\$ 389,399</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ (130,789)</u>	<u>\$ (145,803)</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 323,926	\$ 144,122
Amortization expense	3,636	802
(Increase) decrease in accounts receivable	(506)	-
(Increase) decrease in excess OPEB contributions	-	-
(Increase) decrease in due from other governments	(883)	(27,123)
(Increase) decrease in due from other funds	(667)	22,225
(Increase) decrease in inventories	-	-
(Increase) decrease in prepaid items	(511)	1,472
Increase (decrease) in accounts payable	5,718	(108)
Increase (decrease) in salaries payable	2,992	10,500
Increase (decrease) in compensated absences - current	(50)	4,631
Increase (decrease) in compensated absences - long-term	4,257	14,224
Increase (decrease) in due to other funds	(125)	11,696
Increase (decrease) in due to other governments	(3,001)	730
Increase (decrease) in deferred revenue	19,299	-
Increase (decrease) in OPEB liability	1,383	4,488
Increase (decrease) in landfill closure and postclosure payable	-	-
Total adjustments	<u>\$ 355,468</u>	<u>\$ 187,659</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 224,679</u>	<u>\$ 41,856</u>
 Non-Cash Investing, Capital, and Financing Activities		
Capital contributions	\$ 1,201,510	\$ 1,541

EXHIBIT 9
(Continued)

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste	Totals	
\$ 1,833,239	\$ 4,849,589	\$ 7,099,164	\$ 2,273,512
-	46,006	46,006	-
170	-	470	-
\$ 1,833,409	\$ 4,895,595	\$ 7,145,640	\$ 2,273,512
\$ (1,979,201)	\$ (1,690,982)	\$ (3,946,775)	\$ 39,075
\$ 295	\$ 114,250	\$ 582,593	\$ 959,321
-	-	4,438	-
(25,989)	21,589	(4,906)	-
-	1,568	1,568	-
16,412	7,170	(4,424)	38
7,320	-	28,878	(56,357)
-	-	-	-
(9,652)	(320)	(9,011)	-
31,940	12,097	49,647	(6,880)
12,521	1,579	27,592	-
5,423	87	10,091	-
27,008	(158)	45,331	-
61,957	(50)	73,478	(913)
(3,173)	62,756	57,312	(4,640)
(35,629)	-	(16,330)	-
14,236	-	20,107	-
-	1,247,083	1,247,083	-
\$ 102,669	\$ 1,467,651	\$ 2,113,447	\$ 890,569
\$ (1,876,532)	\$ (223,331)	\$ (1,833,328)	\$ 929,644
\$ -	\$ -	\$ 1,203,051	\$ -

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FIDUCIARY FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2012**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 1,648,606
Accounts receivable	16,440
Due from other funds	<u>185,099</u>
Total Assets	<u>\$ 1,850,145</u>
<u>Liabilities</u>	
Accounts payable	\$ 22,438
Due to other funds	142,160
Due to other governments	<u>1,685,547</u>
Total Liabilities	<u>\$ 1,850,145</u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Clay County was established March 8, 1862, and organized April 14, 1872; it has the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures

The County participates in several joint ventures which are described in Note 8.B. The County also participates in jointly-governed organizations and related organizations described in Notes 8.C. and 8.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Debt Service Fund is used to account for the accumulation of resources and the payment of principal and interest of ditch bond issues.

The County reports the following major enterprise funds:

The Family Service Center Fund is used to account for the financing of the Family Service Center, which provides rental space to other departments and agencies.

The Juvenile Center Fund is used to account for the financial transactions of the Juvenile Center, which provides housing for juveniles and rental space to other departments and agencies.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Public Health Fund is used to account for providing nursing service care to the elderly and other residents of the County. All activities necessary to provide such services are accounted for in this fund. Financing is provided by a health service grant and user service charges.

The Solid Waste Management Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

Additionally, the County reports the following fund types:

The Internal Service Fund is used to account for the financing of equipment provided by one department to other departments of the County on a cost-reimbursement basis.

Debt Service funds account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The County Projects Capital Projects Fund is used to account for financial resources to be used for improvement of capital facilities.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Clay County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2012, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2012 were \$120,756.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

2. Deposits and Investments (Continued)

Clay County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The investment in the pool is measured at the net asset value per share provided by the pool.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Computer software has a threshold of \$50,000 and is included in the category of Machinery and Equipment.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

6. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 75
Land improvements	5 - 30
Public domain infrastructure	20 - 50
Furniture, equipment, and vehicles	3 - 15

The County landfill is depreciated based on capacity.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

Net investments in capital assets - the net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the net position that does not meet the definition of restricted or net investments in capital assets.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or by laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor-Treasurer, who has been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund, it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

11. Classification of Fund Balances (Continued)

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

12. Minimum Fund Balance

Clay County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund, which is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined the County needs to maintain a minimum unrestricted fund balance in the General Fund and has set the year-end minimum fund balance amount for the General Fund equal to 16 percent of the total General Fund annual expenditures.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Road and Bridge Special Revenue Fund had a deficit fund balance of \$551,560 as of December 31, 2012. The fund balance deficit will be eliminated through future allotments.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following is a table of the individual fund with expenditures in excess of budget for the year ended December 31, 2012.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 20,368,769	\$ 17,404,455	\$ 2,964,314

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments are reported as follows:

Primary government	
Cash and pooled investments	\$ 28,802,355
Investments	2,684,023
Restricted assets	
Investments	2,881,392
Departmental cash	21,805
Fiduciary funds	
Cash and pooled investments	
Agency funds	<u>1,648,606</u>
Total Cash and Investments	<u>\$ 36,038,181</u>

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2012, the County’s deposits were not exposed to custodial credit risk.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirement set by state statute.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. At year-end, \$7,335,273 of the County's investments in Federal Home Loan Bank, Federal Home Loan Mortgage, and negotiable certificates were subject to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. Treasury securities, U.S. agency securities, and obligations backed by U.S. Treasury and/or U.S. agency securities, may be held without limit.

The following table presents the County's deposit and investment balances at December 31, 2012, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	Aaa	Moody's		10/25/2025	\$ 147,684
Federal National Mortgage Association	Aaa	Fitch		12/01/2041	92,890
Total Federal National Mortgage Association			<5%		\$ 240,574

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Federal Home Loan Bank	Aaa	Moody's		01/25/2022	\$ 400,100
Federal Home Loan Bank	Aaa	Moody's		07/18/2022	725,189
Federal Home Loan Bank	Aaa	Moody's		07/26/2022	750,187
Federal Home Loan Bank	Aaa	Moody's		08/15/2022	985,424
Federal Home Loan Bank	Aaa	Moody's		09/28/2022	498,280
Federal Home Loan Bank	Aaa	Moody's		10/25/2022	500,100
Federal Home Loan Bank	AA+	S&P		11/28/2022	498,745
Federal Home Loan Bank	Aaa	Moody's		12/05/2022	99,233
Federal Home Loan Bank	AA+	S&P		12/28/2022	776,100
Federal Home Loan Bank	Aaa	Moody's		12/28/2022	499,020
Federal Home Loan Bank	Aaa	Moody's		10/04/2032	98,926
Total Federal Home Loan Bank			17.0%		\$ 5,831,304
Federal Home Loan Mortgage	Aaa	Moody's		01/13/2022	\$ 104,467
Federal Home Loan Mortgage	Aaa	Moody's		01/13/2022	10,447
Federal Home Loan Mortgage	Aaa	Moody's		02/22/2022	400,800
Federal Home Loan Mortgage	Aaa	Moody's		03/21/2022	701,995
Federal Home Loan Mortgage	Aaa	Moody's		08/15/2027	25,160
Federal Home Loan Mortgage	AA+	S&P		04/01/2042	94,777
Total Federal Home Loan Mortgage			<5%		\$ 1,337,646
Federal Farm Credit Bank	Aaa	Moody's	<5%	10/04/2027	\$ 100,666
Local securities					
South Carolina State Single Family Housing Re	Aa1	Moody's		01/01/2017	\$ 50,455
Newport News Virginia Development Bond	Aa1	Moody's		07/01/2018	49,903
Dist. of Columbia Income Tax Secured Revenue	Aa1	Moody's		12/01/2019	51,825
Frederick County Maryland General Obligation	Aa1	Moody's		08/01/2020	49,752
Easton Massachusetts General Obligation Bond	Aa3	Moody's		08/15/2021	21,107
Greendale Wisconsin General Obligation Bond	Aa2	Moody's		03/01/2023	25,392
Myrtle Beach S. Car. General Obligation Bond	Aa2	Moody's		03/01/2024	50,884
Newport News Virginia Development Bond	Aa1	Moody's		07/01/2024	101,959
Total local securities			<5%		\$ 401,277
Investment pools/mutual funds					
MAGIC Fund - General Revenue					\$ 21,712,360
MAGIC Fund - Solid Waste Long-Term					1,323,590
MAGIC Fund - Solid Waste Management					1,279,949
MAGIC Fund - Road and Bridge					1,000,000
Total investment pools/mutual funds	N/R		N/A	N/A	\$ 25,315,899

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
Negotiable certificates of deposit	N/R				\$ 1,000,100
Money market	N/R				\$ 4,293
Total investments					\$ 34,231,759
Deposits					1,799,327
Change funds					7,095
Total Cash and Investments					\$ 36,038,181

N/A - Not applicable

N/R - Not rated

2. Receivables

Receivables as of December 31, 2012, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 784,086	\$ -
Special assessments	1,127,101	761,685
Accounts	345,743	-
Accrued interest receivable	80,025	-
Due from other governments	3,999,276	71,145
Total Governmental Activities	\$ 6,336,231	\$ 832,830

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Special assessments	\$ 66,875	\$ -
Accounts	277,709	-
Accrued interest receivable	5,065	-
Due from other governments	868,182	-
	<u>1,217,831</u>	<u>-</u>
Total Business-Type Activities	\$ <u>1,217,831</u>	\$ <u>-</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 328,752	\$ -	\$ -	\$ 328,752
Construction in progress	2,632,971	1,668,421	2,586,513	1,714,879
	<u>2,961,723</u>	<u>1,668,421</u>	<u>2,586,513</u>	<u>2,043,631</u>
Total capital assets not depreciated	\$ <u>2,961,723</u>	\$ <u>1,668,421</u>	\$ <u>2,586,513</u>	\$ <u>2,043,631</u>
Capital assets depreciated				
Land improvements	\$ 289,600	\$ 63,934	\$ -	\$ 353,534
Buildings	15,084,425	419,904	-	15,504,329
Machinery, furniture, and equipment	11,738,109	1,444,937	1,379,772	11,803,274
Infrastructure	106,268,935	4,439,887	-	110,708,822
	<u>133,381,069</u>	<u>6,368,662</u>	<u>1,379,772</u>	<u>138,369,959</u>
Total capital assets depreciated	\$ <u>133,381,069</u>	\$ <u>6,368,662</u>	\$ <u>1,379,772</u>	\$ <u>138,369,959</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	\$ 62,563	\$ 10,286	\$ -	\$ 72,849
Buildings	5,150,856	306,574	-	5,457,430
Machinery, furniture, and equipment	7,201,150	1,355,166	1,376,970	7,179,346
Infrastructure	38,138,438	3,260,810	-	41,399,248
Total accumulated depreciation	\$ 50,553,007	\$ 4,932,836	\$ 1,376,970	\$ 54,108,873
Total capital assets depreciated, net	\$ 82,828,062	\$ 1,435,826	\$ 2,802	\$ 84,261,086
Governmental Activities Capital Assets, Net	\$ 85,789,785	\$ 3,104,247	\$ 2,589,315	\$ 86,304,717

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,084,851	\$ -	\$ -	\$ 1,084,851
Construction in progress	53,696	345,496	53,696	345,496
Total capital assets not depreciated	\$ 1,138,547	\$ 345,496	\$ 53,696	\$ 1,430,347
Capital assets depreciated				
Buildings	\$ 13,060,756	\$ 469,693	\$ -	\$ 13,530,449
Landfill	8,687,281	1,114,241	-	9,801,522
Improvements other than building	240,880	444,726	-	685,606
Machinery, furniture, and equipment	1,622,226	5,901	9,973	1,618,154
Infrastructure	1,345,911	-	-	1,345,911
Total capital assets depreciated	\$ 24,957,054	\$ 2,034,561	\$ 9,973	\$ 26,981,642
Less: accumulated depreciation for				
Buildings	\$ 6,688,576	\$ 454,812	\$ -	\$ 7,143,388
Landfill	7,405,058	-	-	7,405,058
Improvements other than building	217,206	7,468	-	224,674
Machinery, furniture, and equipment	1,234,407	66,476	9,973	1,290,910
Infrastructure	71,752	53,837	-	125,589
Total accumulated depreciation	\$ 15,616,999	\$ 582,593	\$ 9,973	\$ 16,189,619
Total capital assets depreciated, net	\$ 9,340,055	\$ 1,451,968	\$ -	\$ 10,792,023
Business-Type Activities Capital Assets, Net	\$ 10,478,602	\$ 1,797,464	\$ 53,696	\$ 12,222,370

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 238,893
Public safety	199,287
Highways and streets, including depreciation of infrastructure assets	3,362,351
Human services	13,672
Economic development	159,312
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>959,321</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,932,836</u>

Business-Type Activities	
Family Service Center	\$ 323,926
Juvenile Center	144,122
Public Health	295
Solid Waste	<u>114,250</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 582,593</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services	\$ 198,835
	Juvenile Center	16,163
	Public Health	36,918
	Capital Projects	9,050
	Agency Funds	<u>11,164</u>
Total Due to General Fund		<u>\$ 272,130</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Social Services	Public Health	\$ 208,150
	Juvenile Center	1,240
Total Due to Social Services Fund		\$ 209,390
Ditch Debt Service	Agency Funds	\$ 5,416
Gravel Removal	Road and Bridge	\$ 68,132
Family Service Center	Social Services	\$ 3,100
Juvenile Center	General	\$ 42,129
	Social Services	12,059
Total Due to Juvenile Center Fund		\$ 54,188
Public Health	General	\$ 20,587
	Social Services	747
	Juvenile Center	8,408
	Agency Funds	19
Total Due to Public Health Fund		\$ 29,761
Internal Service	General	\$ 57,163
	Public Health	6,258
Total Due to Internal Service Fund		\$ 63,421
Agency	Social Services	\$ 59,538
	Agency	125,561
Total Due to Agency Funds		\$ 185,099
Total Due To/From Other Funds		\$ 890,637

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other governmental	\$ 20,000
	Family Service Center	1,495,000
	Juvenile Center	350,000
Total General Fund		<u>\$ 1,865,000</u>

The purpose of the advances from the General Fund was to cover negative cash balances. The advances will be repaid when cash is available.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2012, consisted of the following:

Transfers to General Fund from Solid Waste Enterprise Fund	\$ 100,000	To transfer funds as a reimbursement of services
Transfers to County Project Capital Projects Fund from General Fund	22,000	To transfer proceeds to cover fund deficit
Transfers to Family Service Center Enterprise Fund from General Fund	349,667	To transfer funds for cash flow purposes
Transfers to Juvenile Center Enterprise Fund from General Fund	234,960	To transfer funds to cover shelter care deficit
Transfers to Public Health Enterprise Fund from General Fund	468,304	Budgeted transfer
Total Interfund Transfers	<u>\$ 1,174,931</u>	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2012, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 907,048	\$ 158,882
Salaries	532,929	124,438
Contracts	184,597	-
Due to other governments	1,731,220	362,034
Advance from other governments	2,400,000	-
	<hr/>	<hr/>
Total Payables	\$ 5,755,794	\$ 645,354

2. Deferred Revenue

Deferred revenue as of December 31, 2012, was as follows:

	Deferred Unavailable	Deferred Unearned
Governmental funds		
Taxes	\$ 1,876,949	\$ -
State-aid highway allotments	859,327	-
Charges for services	109,399	-
Grants	892,208	-
Accrued interest	79,028	-
Rent	-	600
Licenses and permits	225	-
Miscellaneous	3,396	12,328
Expenditure offset	73,396	-
	<hr/>	<hr/>
Total Governmental Funds	\$ 3,893,928	\$ 12,928
		Deferred Unearned
Proprietary funds		
Charges for services		\$ 51,746
Grants		14,448
Rent		23,725
		<hr/>
Total Proprietary Funds		\$ 89,919

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The County has entered into construction commitments which have not been completed as of December 31, 2012.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Flood home demolition	\$ 531,520	\$ 4,960
FSC window replacement	<u>345,000</u>	<u>4,500</u>
Total Construction Commitments	<u>\$ 876,520</u>	<u>\$ 9,460</u>

4. Leases

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2012:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
2007 motor grader	2015	Annual	\$ 16,553	\$ 190,228	\$ 31,043
2007 motor grader	2015	Annual	16,553	190,228	31,043
2007 motor grader	2015	Annual	16,681	190,984	31,283
2007 motor grader	2015	Annual	15,525	190,228	29,114
2007 motor grader	2015	Annual	15,524	190,228	29,114
2007 motor grader	2015	Annual	15,652	190,984	29,354
2007 motor grader	2015	Annual	16,264	190,984	30,502
2007 motor grader	2015	Annual	24,253	238,232	45,484
2009 excavator	2014	Annual	18,373	78,721	22,037
2010 copier	2015	Monthly	1,957	8,458	3,972
2010 copier	2015	Monthly	1,407	6,080	2,856
2010 copier	2015	Monthly	1,407	6,080	2,856
2010 copier	2015	Monthly	1,386	5,987	2,812
2011 copier	2016	Monthly	1,200	5,138	<u>3,600</u>
Total Governmental Activities Capital Leases					<u>\$ 295,070</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Leases

Capital Leases (Continued)

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Business-Type Activities 2009 mail machine	2014	Quarterly	\$ 3,063	\$ 12,451	<u>\$ 3,604</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2013	\$ 162,735	\$ 3,063
2014	148,957	766
2015	2,234	-
2016	400	-
Total minimum lease payments	\$ 314,326	\$ 3,829
Less: amount representing interest	<u>(19,256)</u>	<u>(225)</u>
Present Value of Minimum Lease Payments	<u>\$ 295,070</u>	<u>\$ 3,604</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2012</u>
General obligation bonds					
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	\$ 960,000	\$ 215,000
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	830,000	375,000
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	475,000	310,000
2009 G.O. Watershed and Ditch Bonds	2017	\$205,000 - \$415,000	2.3798	2,620,000	1,585,000
2008 G.O. Capital Improvement Plan Bonds	2022	\$110,000 - \$305,000	3.5350	5,135,000	3,865,000
2011 G.O. Capital Improvement Plan Bonds	2018	\$138,663 - \$653,920	1.4282	<u>3,174,215</u>	<u>3,174,215</u>
Total general obligation bonds				<u>\$ 13,194,215</u>	\$ 9,524,215
Add: unamortized premiums					25,172
Less: unamortized discounts					<u>(10,654)</u>
Total General Obligation Bonds, Net					<u>\$ 9,538,733</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2012
General obligation bonds					
2008 G.O. Capital Improvement Plan Bonds	2013	\$450,000 - \$570,000	3.5350	\$ 2,575,000	\$ 570,000
2011 G.O. Capital Improvement Plan Bonds	2018	\$171,337 - \$221,080	1.4282	1,030,785	1,030,785
Total general obligation bonds				<u>\$ 3,605,785</u>	\$ 1,600,785
Add: unamortized premiums					330
Less: unamortized discounts					(3,460)
Less: deferred amount on refunding					<u>(5,560)</u>
Total General Obligation Bonds, Net					<u>\$ 1,592,095</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2012, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2013	\$ 1,113,663	\$ 243,339
2014	1,589,974	209,372
2015	1,494,974	173,130
2016	1,431,684	137,503
2017	1,328,920	102,895
2018 - 2022	<u>2,565,000</u>	<u>189,295</u>
Total	<u>\$ 9,524,215</u>	<u>\$ 1,055,534</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2013	\$ 741,337	\$ 20,239
2014	210,026	9,100
2015	210,026	7,315
2016	218,317	4,846
2017	221,079	1,713
Total	<u>\$ 1,600,785</u>	<u>\$ 43,213</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 10,499,215	\$ -	\$ 975,000	\$ 9,524,215	\$ 1,113,663
Revenue bonds	143,136	-	143,136	-	-
Add: deferred amounts for issuance premiums	30,805	-	5,633	25,172	-
Less: deferred amounts for issuance discounts	(12,405)	-	(1,751)	(10,654)	-
Total bonds payable	<u>\$ 10,660,751</u>	<u>\$ -</u>	<u>\$ 1,122,018</u>	<u>\$ 9,538,733</u>	<u>\$ 1,113,663</u>
Capital leases	438,099	-	143,029	295,070	149,762
Other postemployment benefits (OPEB)	288,309	86,140	-	374,449	-
Compensated absences	<u>2,169,283</u>	<u>1,476,254</u>	<u>1,310,713</u>	<u>2,334,824</u>	<u>556,535</u>
Governmental Activities Long-Term Liabilities	<u>\$ 13,556,442</u>	<u>\$ 1,562,394</u>	<u>\$ 2,575,760</u>	<u>\$ 12,543,076</u>	<u>\$ 1,819,960</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 2,130,785	\$ -	\$ 530,000	\$ 1,600,785	\$ 741,337
Revenue bonds	176,864	-	176,864	-	-
Add: deferred amounts for issuance premiums	4,288	-	3,958	330	-
Less: deferred amounts on refunding	(14,464)	-	(8,904)	(5,560)	-
Less: deferred amounts for issuance discounts	(4,028)	-	(568)	(3,460)	-
Total bonds payable	\$ 2,293,445	\$ -	\$ 701,350	\$ 1,592,095	\$ 741,337
Capital lease	6,234	-	2,630	3,604	2,853
Estimated liability for landfill closure/postclosure	1,856,317	1,247,083	-	3,103,400	-
Other postemployment benefits (OPEB)	79,993	20,107	-	100,100	-
Compensated absences	597,795	407,584	352,162	653,217	167,605
Business-Type Activities Long-Term Liabilities	<u>\$ 4,833,784</u>	<u>\$ 1,674,774</u>	<u>\$ 1,056,142</u>	<u>\$ 5,452,416</u>	<u>\$ 911,795</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$282,575 of lease purchases payable are included in the amounts for the governmental activities at year-end.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

All full-time and certain part-time employees of Clay County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan (Continued)

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2012:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Employees Retirement Fund	\$ 1,039,060	\$ 1,029,086	\$ 993,720
Public Employees Police and Fire Fund	306,272	302,648	299,919
Public Employees Correctional Fund	156,802	156,996	150,607

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

Five County Commissioners of Clay County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2012, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 8,510	\$ 8,510
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

Clay County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Clay County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. There were approximately 361 participants in the plan, including 8 retirees.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 160,157
Interest on net OPEB obligation	16,574
Adjustment to ARC	<u>(22,689)</u>
Annual OPEB cost (expense)	\$ 154,042
Contributions made	<u>(47,795)</u>
Increase in net OPEB obligation	\$ 106,247
Net OPEB Obligation - Beginning of Year	<u>368,302</u>
Net OPEB Obligation - End of Year	<u><u>\$ 474,549</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2010, 2011, and 2012, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2010	\$ 138,724	\$ 38,602	30.7%	\$ 281,423
December 31, 2011	137,033	50,154	36.5	368,302
December 31, 2012	154,042	47,795	31.0	474,549

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,289,065, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,289,065. The covered payroll (annual payroll of active employees covered by the plan) was \$17,503,426, and the ratio of the UAAL to the covered payroll was 7.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Clay County's implicit rate of return on the General Fund. The annual health care cost trend is 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2012, was 25 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,103,400 landfill closure and postclosure care liability at December 31, 2012, represents the cumulative amount reported to date based on the use of 45 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,739,685 as the remaining estimated capacity is filled and the date the landfill is expected to be filled to capacity (2068) due to a change in accounting estimates. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, maintain, and adopt a contingency action plan at the landfill were acquired as of December 31, 2012. Actual cost may be higher due to inflation, changes in technology, or changes in state or federal laws and regulations affecting landfills.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

5. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2012, investments of \$2,881,392 are held for these purposes. These are reported as restricted assets on the balance sheet. Clay County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$460,000 per claim in 2012 and \$470,000 per claim in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

7. Conduit Debt

The County has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of educational facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenue of the entity. The County is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2012, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Principal Issued</u>	<u>Outstanding</u>
Concordia College Corporation	2001	\$ 3,300,000	\$ 2,100,000
Minnesota State University Moorhead	2001	3,940,000	3,167,080
Concordia College Corporation	2003	2,300,000	1,800,000
Concordia College Corporation	2004	7,000,000	6,900,000
Eventide	2006	2,000,000	1,606,185

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items (Continued)

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not result in the discharging of any liability incurred or chargeable to any county before the effective date of withdrawal.

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents. Complete financial statements for the West Central Area Agency on Aging can be obtained from its administrative office at P. O. Box 726, Fergus Falls, Minnesota 56538-0726.

Fargo-Moorhead Metropolitan Council of Governments

The Fargo-Moorhead Metropolitan Council of Governments was established in 1967 by a joint powers agreement between the Cities of Fargo and West Fargo, North Dakota; Moorhead and Dilworth, Minnesota; Cass County, North Dakota; and Clay County. The primary purpose of the Council is metropolitan area planning for the two-county area. The Council also serves as a coordinating agency for investigations and studies for improvement of government and services in the area.

The primary source of revenues is federal grants administered by the North Dakota and Minnesota Departments of Transportation, the Federal Transit Administration, and member support on a per capita basis. During 2012, Clay County contributed \$10,923 to the Fargo-Moorhead Metropolitan Council of Governments.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Fargo-Moorhead Metropolitan Council of Governments (Continued)

Control of the Council is vested in a 13-member Board of Directors, of which one member is an elected County Commissioner. The Council representatives to the Board are appointed by their respective governing bodies for a term determined by their governing bodies.

As of December 31, 2012, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$218,839. Complete financial statements for the Council may be obtained from its administrative office at Case Plaza, One 2nd Street North, Suite 232, Fargo, North Dakota 58102.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which comprises one County Commissioner from each member county. In the event of dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Complete financial information can be obtained from the Clearwater County Auditor, 213 North Main Avenue, Bagley, Minnesota 56621.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Clay County Joint Powers Collaborative

The Clay County Joint Powers Collaborative was established March 4, 1997, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Clay County; Independent School Districts 152 (Moorhead), 146 (Barnesville), 2164 (Dilworth-Glyndon-Felton), 150 (Hawley), and 914 (Ulen-Hitterdal); the Clay-Wilkin Opportunity Council; Lakeland Mental Health; and Clay County Court Services. The purpose of the Collaborative is to provide services designed to enhance opportunities for children or youth to improve child health and development, reduce barriers to adequate school performance, improve family functioning, provide community service, enhance self-esteem, and develop general employment skills.

Control of the Clay County Joint Powers Collaborative is vested in a 20-member Board of Directors appointed by the member parties.

In the event of a withdrawal from the Clay County Joint Powers Collaborative, the withdrawing party shall give a 90-day notice. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of its property.

Financing is provided by state and federal grants and contributions from its member parties. Clay County, in an agent capacity, reports the cash transactions of the Clay County Joint Powers Collaborative as an agency fund on its financial statements. During 2012, the County did not contribute any funds to the Collaborative.

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Todd Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Control of the West Central Minnesota Drug Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency.

In the event of dissolution of the West Central Minnesota Drug Task Force, the equipment will be divided and returned to the appropriate agencies. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Douglas County, in an agent capacity, reports the cash transactions of the West Central Minnesota Drug Task Force as an agency fund on its financial statements. Financing and equipment will be provided by the full-time and associated member agencies. During 2012, the County contributed \$3,000 to the Task Force.

Clay County/MnDOT/City of Moorhead Jointly-Operated Public Works Facility

In 2002, Clay County entered into a Partnership Agreement with the City of Moorhead and the Minnesota Department of Transportation for the construction, ownership, and operation of a Public Works Facility. Ownership of the facility is in the following proportions: State - 33 percent, County - 45 percent, City - 22 percent. Ownership of the land is in equal shares. A Management Committee, comprised of one member from each entity, is responsible for the operation and resolution of issues pertaining to the complex.

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board's convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau.

The purpose of the Northwest Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's by-laws.

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution.

Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

C. Jointly-Governed Organizations

Clay County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota Rural Counties Caucus (Continued)

Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Clay County's responsibility does not extend beyond making this appointment.

Western Area City/County Co-op

Clay County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources.

The management and control of WACCO is vested in a Board of Directors composed of a representative appointed by each member city and county.

District IV Transportation Planning

Clay County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Clay County and 14 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget. Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents. In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties.

During 2012, the County contributed \$1,281 to the Joint Powers Board. Complete financial statements can be obtained from the offices of the International Coalition.

Oakport Joint Powers Agreement

Clay County, the City of Moorhead, and Oakport Township entered into a joint powers agreement, effective February 15, 1990, and empowered under Minn. Stat. §§ 414.0325, subd. 5; 462.3585; 471.59; and 471.591. The purpose of the Board is to address land development concerns in the Oakport Township area that is scheduled for orderly annexation in 2015. The Oakport Joint Powers Board is comprised of six members, two appointed by each entity.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties.

Control of the Library is vested in the Agassiz Regional Library Board, which is composed of 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Clay County contributed \$224,648 to the Agassiz Regional Library during 2012.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Red River Regional Dispatch Center

In 2001, a Joint Powers Agreement was entered into by the cities of Moorhead, Minnesota; Fargo, North Dakota; and the Counties of Cass, North Dakota; and Clay, Minnesota, for the joint operation of 911/Dispatch functions to reduce and/or eliminate duplication of equipment and staff time. The agreement was amended in 2008 to include the City of West Fargo, North Dakota. A joint board, comprised of members appointed by the governing bodies, is responsible for administering the joint dispatch center.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Clay County is a member of this organization.

Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnommen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3; specifically, within the jurisdictional boundaries of the 14 member counties.

Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Clay County's responsibility does not extend beyond making this appointment.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items (Continued)

D. Related Organizations

Clay County Housing and Redevelopment Authority

The Clay County Housing and Redevelopment Authority (HRA) has its own governing board which is appointed by the Clay County Board of Commissioners. Clay County has no other financial, operational, or managerial control over this organization. The HRA issued the Law Enforcement Facility Refunding Bonds of 2002 for Clay County. The County makes lease payments in the amounts necessary to make the bond and interest payments each year. Because the debt is essentially an obligation of the County, it is shown as County debt in the County's financial statements.

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

D. Related Organizations

Wild Rice Watershed District (Continued)

Control of the Watershed District is vested in the Board of Managers, which is composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and Mahnomen and Becker Counties each appoint one member.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501-C3 nonprofit corporation on February 10, 1961, and includes Becker, Clay, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services.

The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties.

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Clay County paid \$1,329,969 in 2012 for services purchased through Lakeland Mental Health Center.

9. Subsequent Event

Bond Issue

The County issued \$10,600,000 General Obligation State-Aid Road Bonds, Series 2013A, dated March 7, 2013.

The County issued \$2,000,000 General Obligation Watershed Improvement Bonds, Series 2013B, dated July 9, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 11,537,573	\$ 11,537,573	\$ 11,457,937	\$ (79,636)
Licenses and permits	36,730	36,730	82,306	45,576
Intergovernmental	4,017,970	4,017,970	7,926,599	3,908,629
Charges for services	1,704,506	1,704,506	1,786,379	81,873
Fines and forfeits	44,000	44,000	191,996	147,996
Investment earnings	150,100	150,100	136,540	(13,560)
Miscellaneous	606,547	606,547	817,636	211,089
Total Revenues	\$ 18,097,426	\$ 18,097,426	\$ 22,399,393	\$ 4,301,967
Expenditures				
Current				
General government				
Commissioners	\$ 274,418	\$ 274,418	\$ 275,988	\$ (1,570)
Courts	80,000	80,000	84,300	(4,300)
Personnel coordinator	80,000	80,000	82,613	(2,613)
Law library	101,395	101,395	99,346	2,049
County administration	268,440	268,440	251,492	16,948
County auditor	666,910	666,910	581,654	85,256
License bureau	416,657	416,657	402,092	14,565
County treasurer	205,931	205,931	175,392	30,539
County assessor	367,534	367,534	347,699	19,835
Elections	99,999	99,999	160,868	(60,869)
Internal audit	80,000	80,000	76,160	3,840
Data processing	1,320,856	1,320,856	1,237,546	83,310
Personnel	176,737	176,737	177,470	(733)
Attorney	1,167,092	1,167,092	1,085,684	81,408
Victim witness	253,845	253,845	94,680	159,165
Unanticipated trial costs	20,000	20,000	-	20,000
Recorder	464,052	464,052	448,405	15,647
Surveyor	40,000	40,000	44,376	(4,376)
Planning and zoning	305,260	305,260	3,203,970	(2,898,710)
Maintenance	739,833	739,833	776,720	(36,887)
Veterans service officer	176,686	176,686	178,615	(1,929)
Unallocated	524,417	524,417	962,020	(437,603)
Total general government	\$ 7,830,062	\$ 7,830,062	\$ 10,747,090	\$ (2,917,028)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,446,886	\$ 3,446,886	\$ 3,616,014	\$ (169,128)
Safe and sober	7,000	7,000	8,087	(1,087)
Snowmobile	3,770	3,770	-	3,770
Law enforcement grant	34,404	34,404	41,034	(6,630)
ATV	5,100	5,100	4,567	533
Safe community coalition of the RRV	-	-	766	(766)
Heat	4,700	4,700	127	4,573
Coroner	91,040	91,040	95,239	(4,199)
E-911 system	69,732	69,732	54,119	15,613
Community corrections	2,929,080	2,929,080	2,960,184	(31,104)
Dispatchers	336,981	336,981	294,646	42,335
Probation and parole	549,871	549,871	676,523	(126,652)
Juvenile detention	697,133	697,133	484,562	212,571
Electronic monitoring	90,000	90,000	96,026	(6,026)
Civil defense	99,096	99,096	147,415	(48,319)
Total public safety	\$ 8,364,793	\$ 8,364,793	\$ 8,479,309	\$ (114,516)
Culture and recreation				
Historical society	\$ 178,172	\$ 178,172	\$ 178,172	\$ -
Humane society	1,500	1,500	1,500	-
Viking library	224,648	224,648	224,648	-
Total culture and recreation	\$ 404,320	\$ 404,320	\$ 404,320	\$ -
Conservation of natural resources				
County extension	\$ 234,726	\$ 234,726	\$ 137,069	\$ 97,657
Soil and water conservation	263,375	263,375	273,152	(9,777)
International coalition	1,281	1,281	1,281	-
Agricultural coalition	112,124	112,124	121,700	(9,576)
Agricultural society/County fair	23,019	23,019	22,982	37
Valley water rescue	3,292	3,292	3,292	-
Total conservation of natural resources	\$ 637,817	\$ 637,817	\$ 559,476	\$ 78,341

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Metropolitan Council	\$ 10,923	\$ 10,923	\$ 10,923	\$ -
Red River winter shows	800	800	800	-
West Central Council on Aging	5,907	5,907	5,907	-
Chamber of Commerce	1,390	1,390	1,390	-
County-wide incentive program	87,500	87,500	87,500	-
West Central MN Initiative	15,000	15,000	15,000	-
Pew Partnership	4,699	4,699	4,699	-
Rural life outreach	5,000	5,000	3,000	2,000
Riverkeepers	800	800	800	-
Rural Minnesota Counties Caucus	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	-	600
Rural transit	-	-	2,601	(2,601)
Senior coordination program	30,244	30,244	43,854	(13,610)
Group workcamp	2,500	2,500	-	2,500
Total economic development	\$ 167,463	\$ 167,463	\$ 178,574	\$ (11,111)
Total Expenditures	\$ 17,404,455	\$ 17,404,455	\$ 20,368,769	\$ (2,964,314)
Excess of Revenues Over (Under)				
Expenditures	\$ 692,971	\$ 692,971	\$ 2,030,624	\$ 1,337,653
Other Financing Sources (Uses)				
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Transfers out	(792,971)	(792,971)	(1,074,931)	(281,960)
Total Other Financing Sources (Uses)	\$ (692,971)	\$ (692,971)	\$ (974,931)	\$ (281,960)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,055,693	\$ 1,055,693
Fund Balance - January 1	7,642,705	7,642,705	7,642,705	-
Fund Balance - December 31	\$ 7,642,705	\$ 7,642,705	\$ 8,698,398	\$ 1,055,693

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,964,291	\$ 2,964,291	\$ 3,015,456	\$ 51,165
Licenses and permits	62,800	62,800	73,631	10,831
Intergovernmental	5,689,883	5,689,883	6,661,589	971,706
Charges for services	513,100	513,100	501,267	(11,833)
Investment earnings	-	-	530	530
Miscellaneous	106,000	106,000	51,403	(54,597)
Total Revenues	\$ 9,336,074	\$ 9,336,074	\$ 10,303,876	\$ 967,802
Expenditures				
Current				
Highways and streets				
Administration	\$ 595,169	\$ 595,169	\$ 517,699	\$ 77,470
Maintenance	2,835,920	2,835,920	2,787,499	48,421
Construction	4,005,616	4,005,616	3,404,376	601,240
Equipment, maintenance, and shop	1,470,938	1,470,938	1,399,765	71,173
Total highways and streets	\$ 8,907,643	\$ 8,907,643	\$ 8,109,339	\$ 798,304
Intergovernmental				
Highways and streets	428,431	428,431	450,266	(21,835)
Total Expenditures	\$ 9,336,074	\$ 9,336,074	\$ 8,559,605	\$ 776,469
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ 1,744,271	\$ 1,744,271
Fund Balance - January 1	(2,301,140)	(2,301,140)	(2,301,140)	-
Increase (decrease) in inventories	-	-	5,309	5,309
Fund Balance - December 31	\$ (2,301,140)	\$ (2,301,140)	\$ (551,560)	\$ 1,749,580

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 6,537,939	\$ 6,537,939	\$ 6,358,731	\$ (179,208)
Intergovernmental	10,280,099	10,280,099	9,977,262	(302,837)
Fines and forfeits	-	-	8,781	8,781
Miscellaneous	379,171	379,171	896,637	517,466
Total Revenues	\$ 17,197,209	\$ 17,197,209	\$ 17,241,411	\$ 44,202
Expenditures				
Current				
Human services				
Income maintenance	\$ 5,163,329	\$ 5,163,329	\$ 4,286,206	\$ 877,123
Social services	12,133,880	12,133,880	11,899,268	234,612
Total human services	\$ 17,297,209	\$ 17,297,209	\$ 16,185,474	\$ 1,111,735
Debt service				
Principal	\$ -	\$ -	\$ 5,251	\$ (5,251)
Interest	-	-	907	(907)
Total debt service	\$ -	\$ -	\$ 6,158	\$ (6,158)
Total Expenditures	\$ 17,297,209	\$ 17,297,209	\$ 16,191,632	\$ 1,105,577
Excess of Revenues Over (Under)				
Expenditures	\$ (100,000)	\$ (100,000)	\$ 1,049,779	\$ 1,149,779
Fund Balance - January 1	6,981,179	6,981,179	6,981,179	-
Fund Balance - December 31	\$ 6,881,179	\$ 6,881,179	\$ 8,030,958	\$ 1,149,779

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 783,750	\$ 783,750	0.0%	\$ 16,346,008	4.8%
January 1, 2010	-	1,110,782	1,110,782	0.0	17,357,192	6.4
January 1, 2012	-	1,289,065	1,289,065	0.0	17,503,426	7.4

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Gravel Removal Tax Special Revenue Fund, County Projects Capital Projects Fund, Americana Estates Debt Service Fund, County Projects Debt Service Fund, and Ditch Debt Service Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following is a table of the individual fund which had expenditures in excess of budget for the year ended December 31, 2012.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 20,368,769	\$ 17,404,455	\$ 2,964,314

3. Other Postemployment Benefits

Clay County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Other Postemployment Benefits (Continued)

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Building - to account for the acquisition or repair of buildings used in County administration.

Gravel Removal Tax Reserve - to account for ten percent of gravel removal tax collections used for the rehabilitation of exhausted gravel pits.

DEBT SERVICE FUNDS

Americana Estates - to account for the financial transactions of the Americana Estates project for the City of Moorhead sewer and water hook-up. Financing is provided by issuing bonds and will be paid back through special assessments levied against the Americana Estates' residents.

County Projects - to account for the retirement of bonds issued for the capital projects.

Courthouse Expansion - to account for the retirement of bonds issued for the courthouse expansion.

Joint Highway Facility - to account for the retirement of bonds issued for the Joint Highway Facility.

Law Enforcement Expansion - to account for the retirement of bonds issued for the Law Enforcement expansion.

CAPITAL PROJECTS FUND

County Projects Capital Projects - to account for financial resources to be used for improvement of capital facilities.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Capital Projects	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 520,697	\$ 547,511	\$ 896,568	\$ 1,964,776
Undistributed cash in agency funds	711	11,006	-	11,717
Taxes receivable				
Current	723	11,200	-	11,923
Prior	762	11,568	-	12,330
Due from other funds	68,132	-	-	68,132
Due from other governments	-	-	28,000	28,000
Total Assets	\$ 591,025	\$ 581,285	\$ 924,568	\$ 2,096,878
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,270	\$ 7,270
Contracts payable	-	-	94,800	94,800
Due to other funds	-	-	9,050	9,050
Deferred revenue - unavailable	1,205	18,442	-	19,647
Advance from other funds	-	20,000	-	20,000
Total Liabilities	\$ 1,205	\$ 38,442	\$ 111,120	\$ 150,767
Fund Balances				
Restricted for				
Debt service	\$ -	\$ 542,843	\$ -	\$ 542,843
Capital projects	-	-	813,448	813,448
Gravel pit restoration	527,420	-	-	527,420
Assigned to				
County building projects	62,400	-	-	62,400
Total Fund Balances	\$ 589,820	\$ 542,843	\$ 813,448	\$ 1,946,111
Total Liabilities and Fund Balances	\$ 591,025	\$ 581,285	\$ 924,568	\$ 2,096,878

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Capital Projects	Total (Exhibit 5)
Revenues				
Taxes	\$ 107,333	\$ 607,593	\$ -	\$ 714,926
Intergovernmental	10,899	78,865	-	89,764
Total Revenues	\$ 118,232	\$ 686,458	\$ -	\$ 804,690
Expenditures				
Current				
General government	\$ 19,700	\$ -	\$ -	\$ 19,700
Capital outlay				
General government	-	-	1,470,332	1,470,332
Debt service				
Principal	-	473,136	-	473,136
Interest	-	192,707	-	192,707
Administrative (fiscal) charges	-	751	-	751
Total Expenditures	\$ 19,700	\$ 666,594	\$ 1,470,332	\$ 2,156,626
Excess of Revenues Over (Under)				
Expenditures	\$ 98,532	\$ 19,864	\$ (1,470,332)	\$ (1,351,936)
Other Financing Sources (Uses)				
Transfers in	-	22,000	-	22,000
Net Change in Fund Balance	\$ 98,532	\$ 41,864	\$ (1,470,332)	\$ (1,329,936)
Fund Balance - January 1	491,288	500,979	2,283,780	3,276,047
Fund Balance - December 31	\$ 589,820	\$ 542,843	\$ 813,448	\$ 1,946,111

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012**

	<u>County Building</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Exhibit B-1)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 61,409	\$ 459,288	\$ 520,697
Undistributed cash in agency funds	711	-	711
Current	723	-	723
Prior	762	-	762
Due from other funds	-	68,132	68,132
Total Assets	<u>\$ 63,605</u>	<u>\$ 527,420</u>	<u>\$ 591,025</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Deferred revenue - unavailable	<u>\$ 1,205</u>	<u>\$ -</u>	<u>\$ 1,205</u>
Fund Balances			
Restricted for			
Gravel pit restoration	\$ -	\$ 527,420	\$ 527,420
Assigned to			
County building projects	62,400	-	62,400
Total Fund Balances	<u>\$ 62,400</u>	<u>\$ 527,420</u>	<u>\$ 589,820</u>
Total Liabilities and Fund Balances	<u>\$ 63,605</u>	<u>\$ 527,420</u>	<u>\$ 591,025</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>County Building</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Exhibit B-2)</u>
Revenues			
Taxes	\$ 39,201	\$ 68,132	\$ 107,333
Intergovernmental	10,899	-	10,899
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 50,100	\$ 68,132	\$ 118,232
Expenditures			
Current			
General government	19,700	-	19,700
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ 30,400	\$ 68,132	\$ 98,532
Fund Balance - January 1	32,000	459,288	491,288
	<u> </u>	<u> </u>	<u> </u>
Fund Balance - December 31	\$ 62,400	\$ 527,420	\$ 589,820
	<u> </u>	<u> </u>	<u> </u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2012**

	<u>Americana Estates</u>	<u>County Projects</u>
<u>Assets</u>		
Cash and pooled investments	\$ 41,785	\$ 1,374
Undistributed cash in agency funds	-	-
Taxes receivable		
Current	-	-
Prior	-	-
	<hr/>	<hr/>
Total Assets	<u>\$ 41,785</u>	<u>\$ 1,374</u>
 <u>Liabilities and Fund Balances</u>		
Liabilities		
Deferred revenue - unavailable	\$ -	\$ -
Advance from other funds	-	-
	<hr/>	<hr/>
Total Liabilities	\$ -	\$ -
 Fund Balances		
Restricted		
Restricted for debt service	41,785	1,374
	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 41,785</u>	<u>\$ 1,374</u>

EXHIBIT B-5

Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-1)
\$ 198,137	\$ 132,718	\$ 173,497	\$ 547,511
5,170	2,823	3,013	11,006
5,256	2,874	3,070	11,200
5,460	2,974	3,134	11,568
\$ 214,023	\$ 141,389	\$ 182,714	\$ 581,285
\$ 8,683	\$ 4,738	\$ 5,021	\$ 18,442
10,000	10,000	-	20,000
\$ 18,683	\$ 14,738	\$ 5,021	\$ 38,442
195,340	126,651	177,693	542,843
\$ 214,023	\$ 141,389	\$ 182,714	\$ 581,285

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Americana Estates</u>	<u>County Projects</u>
Revenues		
Taxes	\$ -	\$ -
Intergovernmental	-	-
	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ -</u>	<u>\$ -</u>
Expenditures		
Debt service		
Principal	\$ -	\$ -
Interest	-	21,820
Administrative (fiscal) charges	-	236
	<u>-</u>	<u>236</u>
Total Expenditures	<u>\$ -</u>	<u>\$ 22,056</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (22,056)</u>
Other Financing Sources (Uses)		
Transfers in	-	22,000
	<u>-</u>	<u>22,000</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (56)</u>
Fund Balance - January 1	<u>41,785</u>	<u>1,430</u>
Fund Balance - December 31	<u><u>\$ 41,785</u></u>	<u><u>\$ 1,374</u></u>

EXHIBIT B-6

Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-2)
\$ 285,191	\$ 155,863	\$ 166,539	\$ 607,593
37,014	20,232	21,619	78,865
\$ 322,205	\$ 176,095	\$ 188,158	\$ 686,458
\$ 210,000	\$ 120,000	\$ 143,136	\$ 473,136
97,200	47,913	25,774	192,707
289	142	84	751
\$ 307,489	\$ 168,055	\$ 168,994	\$ 666,594
\$ 14,716	\$ 8,040	\$ 19,164	\$ 19,864
-	-	-	22,000
\$ 14,716	\$ 8,040	\$ 19,164	\$ 41,864
180,624	118,611	158,529	500,979
\$ 195,340	\$ 126,651	\$ 177,693	\$ 542,843

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 39,705	\$ 39,705	\$ 39,201	\$ (504)
Intergovernmental	10,295	10,295	10,899	604
Total Revenues	\$ 50,000	\$ 50,000	\$ 50,100	\$ 100
Expenditures				
Current				
General government				
Other general government	50,000	50,000	19,700	30,300
Net Change in Fund Balance	\$ -	\$ -	\$ 30,400	\$ 30,400
Fund Balance - January 1	32,000	32,000	32,000	-
Fund Balance - December 31	\$ 32,000	\$ 32,000	\$ 62,400	\$ 30,400

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE EXPANSION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 289,943	\$ 289,943	\$ 285,191	\$ (4,752)
Intergovernmental	32,617	32,617	37,014	4,397
Total Revenues	\$ 322,560	\$ 322,560	\$ 322,205	\$ (355)
Expenditures				
Current				
Debt service				
Principal	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
Interest	97,200	97,200	97,200	-
Administrative (fiscal) charges	1,000	1,000	289	711
Total Expenditures	\$ 308,200	\$ 308,200	\$ 307,489	\$ 711
Net Change in Fund Balance	\$ 14,360	\$ 14,360	\$ 14,716	\$ 356
Fund Balance - January 1	180,624	180,624	180,624	-
Fund Balance - December 31	\$ 194,984	\$ 194,984	\$ 195,340	\$ 356

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
JOINT HIGHWAY FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 158,480	\$ 158,480	\$ 155,863	\$ (2,617)
Intergovernmental	17,828	17,828	20,232	2,404
Total Revenues	\$ 176,308	\$ 176,308	\$ 176,095	\$ (213)
Expenditures				
Current				
Debt service				
Principal	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Interest	47,913	47,913	47,913	-
Administrative (fiscal) charges	600	600	142	458
Total Expenditures	\$ 168,513	\$ 168,513	\$ 168,055	\$ 458
Net Change in Fund Balance	\$ 7,795	\$ 7,795	\$ 8,040	\$ 245
Fund Balance - January 1	118,611	118,611	118,611	-
Fund Balance - December 31	\$ 126,406	\$ 126,406	\$ 126,651	\$ 245

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-10

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT EXPANSION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 169,347	\$ 169,347	\$ 166,539	\$ (2,808)
Intergovernmental	19,052	19,052	21,619	2,567
Total Revenues	\$ 188,399	\$ 188,399	\$ 188,158	\$ (241)
Expenditures				
Current				
Debt service				
Principal	\$ 143,136	\$ 143,136	\$ 143,136	\$ -
Interest	36,292	36,292	25,774	10,518
Administrative (fiscal) charges	1,000	1,000	84	916
Total Expenditures	\$ 180,428	\$ 180,428	\$ 168,994	\$ 11,434
Net Change in Fund Balance	\$ 7,971	\$ 7,971	\$ 19,164	\$ 11,193
Fund Balance - January 1	158,529	158,529	158,529	-
Fund Balance - December 31	\$ 166,500	\$ 166,500	\$ 177,693	\$ 11,193

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

Forfeited Tax - is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County.

Joint Powers Collaborative - to account for the collection and disbursement of funds for the local collaborative.

State Revenue - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds and governmental units.

Watershed Districts - to account for the collection and disbursement of funds for the maintenance of ditches.

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 254,750	\$ 121,566	\$ 133,184
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 3,045	\$ 3,001	\$ 44
Due to other funds	-	240,203	114,642	125,561
Due to other governments	-	11,502	3,923	7,579
Total Liabilities	\$ -	\$ 254,750	\$ 121,566	\$ 133,184
<u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 318,173	\$ 300,981	\$ 341,451	\$ 277,703
Due from other funds	562	59,538	562	59,538
Total Assets	\$ 318,735	\$ 360,519	\$ 342,013	\$ 337,241
<u>Liabilities</u>				
Accounts payable	\$ 29,959	\$ 113,846	\$ 121,411	\$ 22,394
Due to other funds	31,433	51,790	72,040	11,183
Due to other governments	257,343	194,883	148,562	303,664
Total Liabilities	\$ 318,735	\$ 360,519	\$ 342,013	\$ 337,241
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,267,432	\$ 1,267,432	\$ -
Accounts receivable	17,761	16,431	17,761	16,431
Total Assets	\$ 17,761	\$ 1,283,863	\$ 1,285,193	\$ 16,431
<u>Liabilities</u>				
Due to other governments	\$ 17,761	\$ 1,283,863	\$ 1,285,193	\$ 16,431

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,141,837	\$ 70,446,132	\$ 70,365,779	\$ 1,222,190
Accounts receivable	-	9	-	9
Due from other funds	114,642	125,561	114,642	125,561
Total Assets	\$ 1,256,479	\$ 70,571,702	\$ 70,480,421	\$ 1,347,760
<u>Liabilities</u>				
Due to other funds	\$ 4,690	\$ 5,416	\$ 4,690	\$ 5,416
Due to other governments	1,251,789	70,566,286	70,475,731	1,342,344
Total Liabilities	\$ 1,256,479	\$ 70,571,702	\$ 70,480,421	\$ 1,347,760
<u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 15,529	\$ 746,393	\$ 746,393	\$ 15,529
<u>Liabilities</u>				
Due to other governments	\$ 15,529	\$ 746,393	\$ 746,393	\$ 15,529
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,475,539	\$ 73,015,688	\$ 72,842,621	\$ 1,648,606
Accounts receivable	17,761	16,440	17,761	16,440
Due from other funds	115,204	185,099	115,204	185,099
Total Assets	\$ 1,608,504	\$ 73,217,227	\$ 72,975,586	\$ 1,850,145
<u>Liabilities</u>				
Accounts payable	\$ 29,959	\$ 116,891	\$ 124,412	\$ 22,438
Due to other funds	36,123	297,409	191,372	142,160
Due to other governments	1,542,422	72,802,927	72,659,802	1,685,547
Total Liabilities	\$ 1,608,504	\$ 73,217,227	\$ 72,975,586	\$ 1,850,145

OTHER SCHEDULES

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>
Shared Revenue			
State			
Highway users tax	\$ 5,287,377	\$ -	\$ 5,287,377
County program aid	2,987,138	-	2,987,138
PERA rate reimbursement	61,294	-	61,294
Disparity reduction credit	2,204,176	-	2,204,176
Flood abatement aid	286,663	-	286,663
Police aid	181,231	-	181,231
Local government aid	16,520	-	16,520
Market value credit	155,918	-	155,918
Disparity reduction aid	13,567	-	13,567
Total shared revenue	\$ 11,193,884	\$ -	\$ 11,193,884
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,322,059	\$ 84,232	\$ 1,406,291
Payments			
Local			
Local	\$ -	\$ 9,998	\$ 9,998
Payments in lieu of taxes	67,108	-	67,108
Total payments	\$ 67,108	\$ 9,998	\$ 77,106
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ -	\$ 285	\$ 285
Corrections	124,243	-	124,243
Trial Courts	415	-	415
Public Safety	337,002	-	337,002
Transportation	393,874	2,222	396,096
Education	-	883	883
Health	-	479,905	479,905
Natural Resources	2,950,432	-	2,950,432
Human Services	2,890,719	198,915	3,089,634
Veterans Services	4,200	-	4,200
Water and Soil Resources	62,326	-	62,326
Pollution Control Agency	-	145,733	145,733
Peace Officer Standards and Training Board	14,944	-	14,944
Total state	\$ 6,778,155	\$ 827,943	\$ 7,606,098

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Funds	Enterprise Funds	Total All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 288,030	\$ 277,466	\$ 565,496
Commerce	9,039	-	9,039
Housing and Urban Development	293,179	-	293,179
Justice	317,128	17,455	334,583
Transportation	24,903	-	24,903
Education	-	9	9
Health and Human Services	3,869,839	472,700	4,342,539
Homeland Security	491,890	-	491,890
Total federal	\$ 5,294,008	\$ 767,630	\$ 6,061,638
Total state and federal grants	\$ 12,072,163	\$ 1,595,573	\$ 13,667,736
Total Intergovernmental Revenue	\$ 24,655,214	\$ 1,689,803	\$ 26,345,017